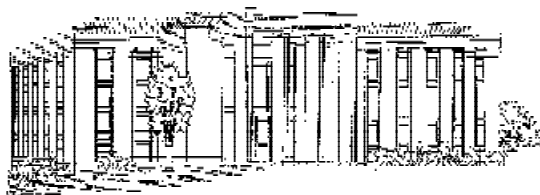


KTRS NEWSLETTER

TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY

RETIRED MEMBER EDITION

June/July 2004



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Members Elect Trustee to KTRS Board

The election for the position on the KTRS Board of Trustees was conducted during May 2004. Mr. Gene Wilhoit, Chief State School Officer, has certified the results of the election to the KTRS Board of Trustees.



Dr. **Zella Wells** of Paintsville, in Johnson County, was elected to a four-year term as an active teacher member of the Board. Dr. Wells is a veteran administrator and former classroom teacher in the Johnson County School System. She is an active member of many education groups at the local, state, and national levels. Dr. Wells' term of office will be from July 1, 2004, through June 30, 2008.

Chair & Vice-Chair Elected to KTRS Board of Trustees

At the June 21, 2004, meeting of the Board of Trustees, **Miss Virginia Murrell** of Somerset was re-elected chair for the 2004-2005 fiscal year. Miss Murrell is a retired member of the Board and has spent most of her career as a teacher in the Bellevue Independent School System in northern Kentucky. Miss Murrell has served on the Board since 1988 and currently serves on the Insurance, Personnel and Scholarship Committees of the Board.

At this same meeting, **Mr. Arthur Green**, of Elkton, was elected as vice-chair for the 2004-2005 fiscal year. Mr. Green has served on the Board since 1996 and is currently an Agriculture teacher at Todd County Central High with over thirty years of teaching. Mr. Green currently serves on the Administrative Appeals, Nominating, Personnel, Legislative, Investment and Insurance Committees of the Board.

2004 LEGISLATIVE REMINDERS



A summary of some of the key points of retirement related legislation enacted during the 2004 Regular Session of the General Assembly is provided as follows:

Cost of Living Adjustments

Although both the House of Representatives' and the Senate's versions of the budget included ad hoc Cost of Living Adjustments (COLA) for retirees for the fiscal years 2004-05 and 2005-06, the two chambers have yet to agree on a budget. The Commonwealth is currently being operated under the Governor's spending plan until a budget can be approved. The spending plan does not include funding for ad hoc COLA's. As such, the only COLA that can currently be applied to retirement allowances is the standard 1.5% COLA. KTRS remains hopeful that a budget will eventually be adopted that will provide retirees with the ad hoc COLA's requested for the upcoming two fiscal years.

Modified Critical Shortage Program

The modified critical shortage program became effective July 1, 2004. This program permits a limited number of retirees to return to work, after a required break-in-service, in local school district positions that are deemed to be critical shortage positions by the superintendent. Retired members returning to work under the critical shortage program contribute to the retirement system and earn post-retirement service credit that, if they vest, will pay them a second retirement allowance.

Returning to Work in the Universities and Community Colleges after Retirement

Effective July 1, 2004, all retired members, regardless of the employer they retired from, will

be equally subject to the same return-to-work conditions. In other words, all retired members returning to work in the universities and community colleges can teach up to 12 academic hours per fiscal year in the classroom or can serve up to 100 days per fiscal year in an administrative position. For the first year of retirement, as always, those persons retiring later than July 1 will be subject to a pro-rated number of hours or days that they can be employed. Members who return to work during the same school year in both a teaching and an administrative position in a university or community college can return with a pro-rated number of hours and days. Members who return to work during the same school year for both a university or community college and a local school district will also be subject to a pro-rated number of hours and days. Retired members returning to teach in both settings during the same school year, for example, will be limited to a pro-rated number of academic hours in the university or community college, and a pro-rated number of teaching days in the local school district.

Alternative Break in Service Requirements

Alternative breaks-in-service for retirees who wish to return to work in a KTRS-covered position became effective on July 1, 2004. It is the member's responsibility to elect an alternative break-in-service by completing and returning to KTRS the appropriate form. Please refer to the April/May 2004 Newsletter and contact KTRS for further details.

One-time Opportunity to Change from an Optional Retirement Plan to KTRS

University and community college employees now have a one-time opportunity during their lifetimes to change from an optional retirement plan to KTRS as long as they are otherwise eligible to participate in KTRS. Individuals exercising this option will participate

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in KTRS prospectively only and cannot purchase as KTRS service previous service in which they participated in an optional retirement plan.

Miscellaneous Provisions

There are several miscellaneous legislative provisions in addition to those discussed above. One of these provisions, for example, will increase some retired members' Daily Wage Thresholds by applying Cost of Living Adjustments to their last annual compensation whenever it was earned, not just from their retirement date forward.

Important Notice

This newsletter provides only a summary of some of the more significant provisions enacted during the 2004 General Session and is intended for general informational purposes only. This summary does not contain all of the terms and detail of the actual legislation enacted by the General Assembly or of any other related KTRS law previously in existence. Final, official codification of this newly enacted legislation is still not available. For further details on any of the above items that might be of interest to you, please contact the retirement system.

ATTENTION

At the time of the printing of this newsletter, there is no approved budget for the 2004-2006 biennium. The adoption of the budget, whether by Special Session or during the 2005 Regular Session, could change the current status of legislation as set forth in this newsletter. Any material changes affecting the retirement system as a result of the adoption of a budget will be reported in subsequent newsletters.

Retirement Trends

Fiscal year 2003-2004 which concluded on June 30, 2004, saw retirements totaling 1,656. Listed are retirement totals for the past five years.

Fiscal Year	Service Retirements
2003-04	1,656
2002-03	1,818
2001-02	2,070
2000-01	1,903
1999-00	2,025



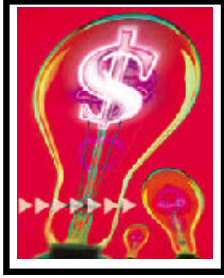
*Remember to keep your
address current with KTRS!*

Send in writing to:

Kentucky Teachers' Retirement System
479 Versailles Road
Frankfort, KY 40601

? Questions ?

KTRS Call Center
1-502-848-8500



THE POSITIVE IMPACT OF KTRS ON THE LOCAL & STATE ECONOMY

This is a first in a series of articles that will explore and highlight the value of KTRS to Kentucky's communities, schools and educators.

Kentucky Teachers' Retirement System distributed more than \$1 billion in benefits during the 2003-04 fiscal year. Since more than 93% of Kentucky's retired teachers live in Kentucky, the economic impact of KTRS annuities on the state's economy is tremendous. It would be difficult to identify a community or a business in Kentucky that is not positively affected by the incomes of retired teachers.

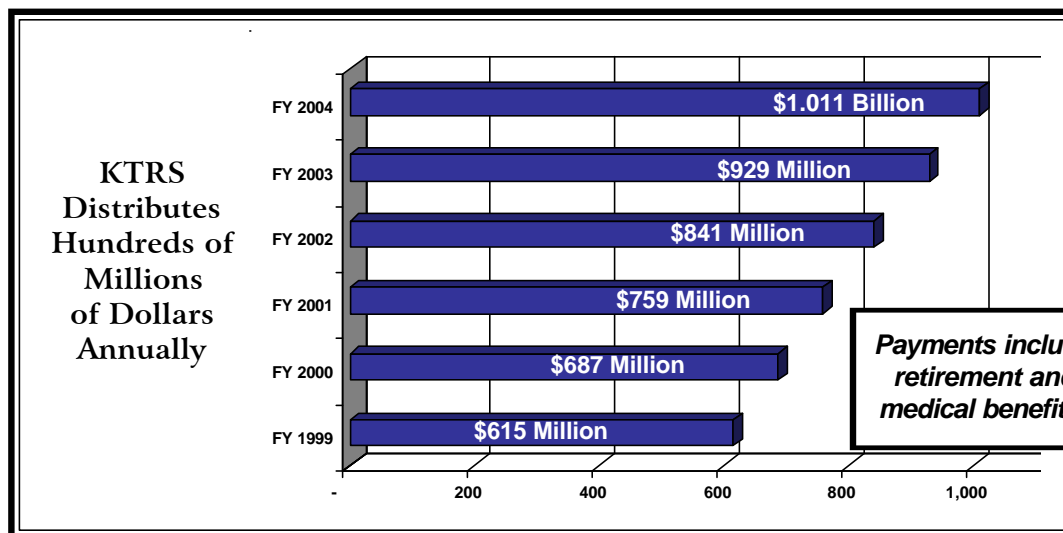
In many counties, the benefit payments distributed by the Retirement System are the equivalent to the payroll of one of the largest employers in the community. This is not only true in counties with low populations, where the System's annuity payments would equate to the second largest employer behind the school district, but also in the more populated areas. In the Greater Louisville area, the annuities distributed by the Retirement System equate to the payrolls of the sixth largest private employer or the fifth largest public employer.

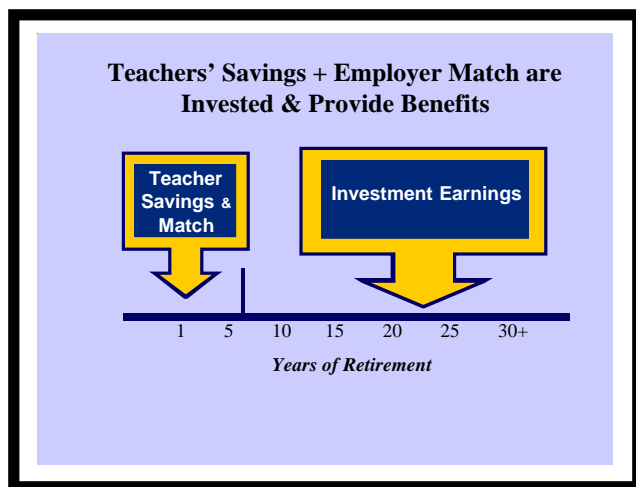
Over the last five years, the annual benefit payments distributed by the System have increased by approximately \$400 million.

The benefit payment increases can be attributed primarily to the net increase of teachers retiring in addition to annuity increases for those already retired. If the \$400 million in increased benefit payments were equated to employment increases in the state, it would be 10,000 jobs paying an annual salary of \$40,000 or more than 13,300 jobs paying an annual salary of \$30,000. It is doubtful that any other entity in the state has had such an increasing and significant impact on Kentucky's economy over the last five years. During a period that, for the most part, could be characterized as an economic slowdown, the Retirement System was bolstering the state's economy by boosting annual distributions by \$400 million.

Thirty years ago large numbers of new teachers were hired during the expansions of vocational education and exceptional education programs. At the same time, the state also began reducing the number of children in each classroom. Many schools also were bursting at the seams with increasing school populations. The net result is that thirty years later a large group of career teachers are eligible to retire.

More than 12,000 teachers are currently eligible to retire although most will not retire immediately, since incentives have been established to keep experienced teachers in the classrooms. Despite the incentives, however, significant





numbers of teachers will retire in upcoming years and will be drawing their savings on a monthly basis from KTRS which will result in further increases in retirement distributions and support for Kentucky's economy.

Value added to the Commonwealth

Who provides the funding for these payouts to retired educators?

Teachers during their careers save or contribute part of their salaries each month, most of which goes toward their retirement. The balance of

their contribution during their active career goes to pay the medical benefits of retired educators. The state matches the teachers' contributions.

The amount the state contributes during a member's career is equal to about 13% of the retirement benefits the member will draw during retirement, with 87% being paid from that member's savings plus the investment earnings of those contributions during the career of that teacher. Therefore, through the long-term investment of those savings, there are funds sufficient to provide retirement benefits for teachers, which in turn provides a significant long-term positive impact on the local and the state's economy, all at an incrementally small cost to the state.

Financial Markets Provide Solid Returns

The market value of the KTRS investment portfolio at this fiscal year end exceeds the year-end valuations achieved in the market during the late 1990's and early 2000 "bubble period". The portfolio had a market value as of June 30, 2004 of \$12.96 billion. The previous highest valuation at the end of a fiscal year was \$12.85 billion as of June 30, 2000. Following the retreat of the markets after the bubble period, the value of the portfolio had retreated to a year-end low of \$11.80 billion as of June 30, 2002 before recovering to current levels.

*And don't forget to visit
our Web site!*



www.ktrs.ky.gov



TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
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